United States Senate

For Immediate Release
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Senators Introduce Tax Incentives for Alternative Energy

WASHINGTON -- The four Senate committee leaders with jurisdiction over energy taxes and energy policy last night introduced a comprehensive bill including a series of alternative energy production tax incentives. The sponsors were Sen. Chuck Grassley, chairman of the Committee on Finance, Sen. Max Baucus, Finance Committee ranking member, Sen. Pete Domenici, chairman of the Committee on Energy and Natural Resources, and Sen. Jeff Bingaman, ranking member of the Energy Committee.

"It makes sense to use the tax code to develop alternative energy," Grassley said. "Cutting taxes is an effective way to encourage positive, environmentally conscious ways to produce electricity and fuel. I'm glad to work with my colleagues to advance a good, green energy package."

Baucus said, "I'm pleased to be working together to introduce this important energy tax package that will form the core of a strong energy strategy. Our forward thinking energy tax package will reduce our dependence on foreign oil imports and encourage energy conservation through tax incentives. Given the rising gasoline and oil prices, it's important that we take advantage of this opportunity to provide relief to consumers across the country."

Domenici said: "I think these subsidies are very important to ensuring that a broad range of energy technologies are available to the marketplace."

Bingaman said: "These tax incentives will help increase and diversify our nation's energy supplies and help us use those resources more efficiently and effectively. It's a balanced package that includes key components needed to support a comprehensive energy strategy."

The *Energy Tax Incentives Act of 2003* (S. 597) is substantially similar to the energy tax incentives bill, developed by Grassley and Baucus, that received overwhelming support by the full Senate in April 2002. The bill never received final approval because negotiations between the House and Senate over a broader energy policy bill never yielded a final product before Congress adjourned. The *Energy Tax Incentives Act of 2003* includes:

Wind energy. The package includes an extension of the wind energy production tax credit until 2007. Grassley authored the *Wind Energy Incentives Act of 1993*, which established the first-ever wind energy production tax credit.

Biomass. The bill extends the tax credit for the production of biomass, which became law in 1992, and expands the definition of biomass to include saw dust, tree trimmings, agricultural byproducts and untreated construction debris. Also included is the extension of the tax credit for the production of electricity from poultry waste and closed loop biomass co-fired with coal.

Biodiesel. The bill provides an income tax credit and excise tax rate reduction for biodiesel fuel mixtures. These new incentives will encourage the production of biodiesel, a clean-burning alternative fuel made from domestic renewable sources, such as soybean oil. The income tax credit applies to biodiesel made from vegetable oil and animal fats.

Small ethanol producer credit. The legislation expands the definition of an eligible small ethanol producer so small cooperative producers of ethanol will receive the same tax benefits as large companies. It also clarifies that the tax credit can flow through to the patrons of the cooperatives.

Fuel taxes. The bill moves a portion of the taxes from gasohol – gasoline blended with ethanol – from the general fund into the Highway Trust Fund to ensure that fuel taxes are used for highways, not unrelated government programs.

Energy-efficient appliances. The bill encourages the manufacture and use of super energy-efficient washing machines and refrigerators with a tax credit for the production of those appliances.

Swine and bovine waste. The package provides new opportunities for energy production, a useful method of waste disposal and increased farm income by creating a production tax credit for electricity generated from swine and bovine waste.

Multiple tax incentives to increase traditional oil and gas production, including provisions for marginal well production and tax benefits from the production of fuel from non-conventional sources such as coal bed methane and heavy oil.